



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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January 5, 2012

Harold Crumpton, Executive Director
Greater Ville Neighborhood Preservation Commission
4140 Dr. Martin Luther King Drive
St. Louis, MO 63113

RE: Community Development Block Grant (CDBG) (Project #2011-CDA19)

Dear Mr. Crumpton:

Enclosed is a report of the fiscal monitoring review of the Greater Ville Neighborhood Preservation Commission, a not-for-profit organization, CDBG Program for the period January 1, 2010 through December 31, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of the Greater Ville Neighborhood Preservation Commission. Fieldwork was completed on December 22, 2011.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the Community Development Administration (CDA) to provide fiscal monitoring to all grant subrecipients.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**GREATER VILLE NEIGHBORHOOD PRESERVATION
COMMISSION**

**CONTRACT #10-31-73
CFDA #14.218**

FISCAL MONITORING REVIEW

JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

PROJECT #2011-CDA19

DATE ISSUED: JANUARY 5, 2012

**Prepared By:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
GREATER VILLE NEIGHBORHOOD PRESERVATION COMMISSION
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: Greater Ville Neighborhood Preservation Commission

Contract Number: 10-31-73

CFDA Number: 14.218

Contract Period: January 1, 2010 through December 31, 2010

Contract Amount: \$339,454

This contract provided Community Development Block Grant (CDBG) funds to Greater Ville Neighborhood Preservation Commission (Agency) to revitalize the Ville Neighborhood and redevelop the entire 4th ward, and maintain the character of city living by rehabilitating existing structure that holds unique architectural design.

Purpose

The purpose of this fiscal monitoring review was to determine the Agency's compliance with federal, state, and local Community Development Administration (CDA) requirements for the period January 1, 2010 through December 31, 2010 and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by CDA. Evidence was tested supporting reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on December 22, 2011.

Exit Conference

An exit conference was held at the Agency on December 12, 2011. The Executive Director and the Executive Director's Secretary represented the Agency. The Internal Audit Executive, the Auditor II, and the Auditor-in-Charge represented the Internal Audit Section (IAS). The Special Assistant for Development represented CDA.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state, and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2010-CDA25, issued September 9, 2010, contained three observations:

1. Opportunity to improve cash management (Questioned Cost \$367.77) (**Resolved**)
2. Opportunity to complete program objectives (**Resolved**)
3. Opportunity to submit monthly financial reports in a timely manner (**Repeat – See Current Observation #1**)

A-133 Status

According to a letter received from the Agency dated April 20, 2011, the Agency was not required to have an A-133 audit because it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2010.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local CDA requirements.

1. Opportunity to submit monthly programmatic and financial reports in a timely manner (**Repeated**)
2. Opportunity to ensure checks are not pre-signed
3. Opportunity to maintain evidence of board of directors' oversight to Agency's operations
4. Opportunity to improve internal controls over grant disbursements, questioned costs \$2,000

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1. Opportunity To Submit Monthly Programmatic And Financial Reports In A Timely Manner (Repeated)

The Agency submitted the monthly financial reports for the calendar year 2010 late. All reports were submitted on April 29, 2011.

The Agency submitted 10 programmatic reports late by an average of 17 days as follows:

A	B	C	D
Report Month	Due Date	Date Submitted	Number of Days Late (C-B)
January	February 10, 2010	March 4, 2010	22
February	March 10, 2010	April 8, 2010	29
March	April 10, 2010	April 30, 2010	20
April	May 10, 2010	June 29, 2010	50
July	August 10, 2010	August 17, 2010	7
August	September 10, 2010	September 17, 2010	7
September	October 10, 2010	October 21, 2010	11
October	November 10, 2010	November 19, 2010	9
November	December 10, 2010	December 22, 2010	12
December	January 10, 2011	January 14, 2011	4
Average Days Late			17

Section 6 of CDA contract #10-31-73 states that the operating agency shall be required to submit monthly programmatic and financial reports as specified in the operating agency Fiscal Procedures Manual, no later than the 10th calendar day of each month to the Comptroller's Office-Federal Grants Section.

The Agency's executive director stated that the Agency did not receive adequate training from CDA for processing monthly financial and programmatic reports. In addition, the executive director stated that the Agency did not receive notification from CDA that the reports were late.

Non-compliance with the contract requirements may cause a delay or suspension in the processing of reimbursement requests resulting in interruption in the Agency's service to its clients.

Recommendation

It is recommended that the Agency comply with the CDA regulation and submit the program monthly financial and programmatic reports by the 10th of the month following the reporting period.

1. Continued...

Management's Response

We concur with the observation, and corrective actions have been taken.

2. Opportunity To Ensure Checks Are Not Pre-Signed

A review of the check register revealed that the Agency's treasurer pre-sign ten grant-funded checks before they were made out to the vendors.

Code of Federal Regulations (CFR) 85.20 (b) (3) states "Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and sub grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

The Agency's executive director stated that the treasurer is a volunteer, and is not readily available all the time to sign checks.

Pre-signing of checks increases the risk of the grant funds being misappropriated.

Recommendation

It is recommended that the Agency establish and implement a system of internal control to ensure that the grant disbursement checks are not pre-signed.

Management's Response

We concur with the observation, and corrective actions have been taken.

3. Opportunity To Maintain Evidence Of Board Of Directors Oversight to Agency's Operations

The Agency did not maintain the minutes of the board of directors (Board) meetings. Minutes of the board meetings provide evidence of the Board oversight to the Agency's operations. Board oversight ensures that the Agency is meeting the grant's objectives and will continue in operations for the foreseeable future.

According to the Agency's executive director, the Board meetings did take place; however, the Agency did not provide copies of the minutes to IAS for review.

In the absence of the Board minutes, IAS could not determine if the Agency's Board provided adequate oversight to the Agency's operations.

Recommendation

It is recommended that the Agency implement a system of internal controls to ensure that records are maintained of the matters discussed at the Board meetings to ensure the Agency's compliance with the terms and conditions of the grant agreement.

Management's Response

We concur with the observation, and corrective actions have been taken.

4. Opportunity To Improve Internal Controls Over Grant Disbursements, Questioned Costs \$2,000

The Agency wrote three grant funds checks made payable to the Executive Director's personal American Express credit card as follows:

- Check #1132 dated 2/22/10 in the amount of \$1,000 made payable to American Express credit card
- Check #1190 dated 7/23/10 in the amount of \$500 made payable to American Express credit card
- Check #1208 dated 8/30/10 in the amount of \$500 made payable to American Express credit card

The Agency did not provide documentation supporting the purpose of these disbursements.

Section 2.3 "Accounting Records" of CDA's Operating Agency Fiscal Procedures Manual states, "Each Operating Agency is required to have accounting records that adequately identify the source and use of CDBG funds provided to them."

The Agency does not have a system of control in place to ensure that all grant disbursements are properly authorized and meet the grant agreement's objectives.

Inadequate internal controls over grant disbursements increase the risk that the grant funds may be used for unallowable purposes.

Recommendation

It is recommended that the Agency reimburse CDA \$2,000 for the questioned cost. In addition, it is recommended that the Agency implement a system of internal controls to ensure that all grant fund disbursements comply with the terms and conditions of the grant contract agreement.

Management's Response

We disagree with this observation. We have presented \$2,268.47 in reimbursable expenses that were approved by CDA. The \$2,268.47 reimbursements were properly deposited and checks were sent to the provider in question.

Auditor's Comments

The amounts on the spreadsheet attached to the management's response could not be traced to the expenses charged on the executive director's personal American Express credit card. In addition, personal credit cards should not be used to pay for Agency's expenses.